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5 **BEFORE THE PUBLIC DISCLOSURE COMMISSION**
6 **OF THE STATE OF WASHINGTON**

7 IN RE THE MATTER OF ENFORCEMENT
8 ACTION AGAINST

PDC CASE NO. 02-281

9 Permanent Offense PAC, Permanent Offense,
10 Inc., Traffic Improvement Initiative
11 Committee, and Tim Eyman

ORDER OF REFERRAL
TO THE WASHINGTON STATE
ATTORNEY GENERAL'S
OFFICE

12 Respondent.
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14 **INTRODUCTION**

15 On February 6, 2002, the Public Disclosure Commission staff filed a formal complaint
16 against Permanent Offense PAC (a political committee), Permanent Offense, Inc., Traffic
17 Improvement Initiative Committee and Tim Eyman to determine whether they:

- 18 1. Properly reported campaign expenditures, including the purpose of those
19 expenditures, in accordance with RCW 42.17.080 and 42.17.090;
20 2. Concealed the fact that campaign funds were expended to compensate Mr.
21 Eyman for services he performed on behalf of Permanent Offense PAC, in
22 violation RCW 42.17.120;
23 3. Used campaign funds for Mr. Eyman's personal expenses in violation of
24 RCW 42.17.125; and
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1 4. Established a second political committee, Permanent Offense, Inc., that failed
2 to comply with the provisions of chapter 42.17. RCW or created Permanent
3 Offense, Inc. as part of a political committee, Permanent Offense PAC, that
4 failed to comply with the provisions of chapter 42.17 RCW.

5 Subsequent to Staff's complaint, on February 13, 2002, a citizen action letter from
6 Richard Smith and Knoll Lowney, representing Permanently Offended, was sent to the Office of
7 the Attorney General, who then forwarded the letter to PDC Staff for investigation. That letter
8 alleged violations against Permanent Offense PAC, Permanent Offense, Inc., Traffic
9 Improvement Initiative Committee, Tim Eyman, Karen Eyman, and Suzanne Karr for:

- 10 1. Failing to file timely and accurate reports with the PDC for the activities of
11 Permanent Offense PAC and Traffic Improvement Initiative Committee in
12 violation of RCW 42.17.080 and 42.17.090;
- 13 2. Making expenditures in such a manner so as to effect concealment in
14 violation of RCW 42.17.120; and
- 15 3. Using campaign contributions for personal expenses in violation of RCW
16 42.17.125,

17 Mssrs. Smith and Lowney sent a second letter, also received February 13, 2002, to the
18 Office of the Attorney General alleging that Monte Benham, Jack Fagan and Mike Fagan also
19 violated RCW 42.17. Staff conducted a preliminary investigation into all of the allegations.

20 Staff reported to the Commission on April 9, 2002. Staff summarized its findings and
21 alleged apparent violations. Staff submitted to the Commission its Report of Investigation dated
22 April 3, 2002, Exhibits to the Report of Investigation, and an Amended Executive Summary and
23 Staff Recommendations dated April 4, 2002, regarding Staff's complaint and the Citizen Action
24 Letters.

25 At a special meeting in the John A. Cherberg Building, Senate Hearing Room #2, First
26 Floor, Capitol Campus, in Olympia, Washington on April 9, 2002, the Commission reviewed the

1 Report of Investigation, the Exhibits to the Report of Investigation, and the Amended Executive
2 Summary and Staff Recommendations regarding Staff's complaint and the Citizen Action
3 Letters. The Commission also heard an oral summary from Staff of its findings and alleged
4 apparent violations by the Respondents named in Staff's complaint and the Citizen Action
5 Letters.

6 Staff withdrew its allegations regarding Traffic Improvement Initiative Committee, and
7 recommended that the Commission advise the Office of the Attorney General to take no further
8 action against this committee since the committee filed its final report on December 11, 2000. In
9 addition, Staff withdrew its allegation that Permanent Offense, Inc. failed to register and report as
10 a political committee.

11 Present were Commission members Christine Yorozu (Chair), Gerry Marsh (Vice Chair),
12 Lois Clement (Secretary), Susan Brady and Michael Connelly. Susan Harris, Assistant Director,
13 presented the Staff report. The Commission meeting was tape-recorded.

14 Following the oral presentation by Staff, and consideration of the material submitted by
15 Staff, and after deliberation, the Commission directed the following:

16 **ORDER OF REFERRAL**

17 By a vote of 5-0, the Commission found that there are apparent multiple violations of
18 RCW 42.17 by Tim Eyman as follows:

- 19 1. RCW 42.17.120 when Tim Eyman concealed payments made to himself from
20 Permanent Offense PAC and Traffic Improvement Initiative Committee
21 through Permanent Offense, Inc. for services he provided to Permanent
22 Offense PAC and Traffic Improvement Initiative Committee;
- 23 2. RCW 42.17.125 when Tim Eyman used Permanent Offense PAC campaign
24 funds to pay expenses for Insignia Corporation as well as his own personal
25 expenses;

- 1 3. RCW 42.17.065 when Tim Eyman failed to keep adequate campaign records
- 2 to substantiate reimbursements to himself;
- 3 4. RCW 42.17.080 and 42.17.090 when Tim Eyman failed to report in-kind
- 4 contributions for management, accounting and database services Permanent
- 5 Offense, Inc. provided to Permanent Offense PAC; and
- 6 5. RCW 42.17.780 when Tim Eyman reimbursed himself with Permanent
- 7 Offense PAC funds for campaign contributions.

8 By a vote of 5-0, the Commission found that there are apparent multiple violations of
9 RCW 42.17 by Permanent Offense PAC as follows:

- 10 1. RCW 42.17.080 and 42.17.090 when Permanent Offense PAC failed to
- 11 report in-kind contributions for management, accounting and database
- 12 services Permanent Offense, Inc. provided to Permanent Offense PAC, and
- 13 when it failed to report orders placed, debts and obligations;
- 14 2. RCW 42.17.065 when Permanent Offense PAC failed to keep adequate
- 15 campaign records to substantiate reimbursements to Tim Eyman;
- 16 3. RCW 42.17.040 and 42.17.050 when Permanent Offense PAC failed to
- 17 designate and report Tim Eyman as its treasurer; and
- 18 4. RCW 42.17.780 when Permanent Offense PAC reimbursed Tim Eyman for
- 19 campaign contributions.

20 The Commission found that given the insufficiency of its penalty authority, in lieu of
21 holding an enforcement hearing, the Commission hereby refers the above referenced apparent
22 violations to the Washington State Attorney General's Office for appropriate action pursuant to
23 RCW 42.17.360 and .395 and WAC 390-37-100.

24 The Commission further ordered that if the Attorney General's Office declines to file a
25 complaint in Superior Court based upon the apparent violations referenced in this Order of
26 Referral or does not enter into a settlement for the apparent violations referenced in this Order of

1 Referral, that portion of this case not addressed by the Attorney General's Office is to be returned
2 to the Public Disclosure Commission for further consideration.

3 A separate letter accompanying this Order of Referral addresses the Commission's
4 actions concerning the additional complaints alleged in the Citizen Action Letters.

5 (Signed 4/10/2002)

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7 _____
8 Vicki Rippie, Executive Director

_____ Date Signed

9 *Copies to be provided to:*

Linda A. Dalton, Senior Assistant Attorney General

Counsel for Commission Staff

10 Nancy Krier, Assistant Attorney General

Counsel for Commission

11 John J. White, Counsel for Permanent Offense PAC

12 William J. Glueck, Counsel for Tim Eyman